

**Top Secret**



# Central Intelligence Bulletin

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\*PORTUGAL: Lisbon was calm yesterday as the military government under General Spínola continued its drive to consolidate control over the country.

In a step designed to strengthen the reform image of the government, Spínola held a 90-minute meeting yesterday with representatives of political parties that were illegal under the previous regime. A spokesman for the parties described the meeting as "very cordial." The moderates, however, appeared to be more satisfied than the far leftists, who were disappointed that Spínola refused to consult with them on the formation of the government, and they avoided a commitment to immediate decolonization.

Spínola did promise to appoint a cabinet and a prime minister as soon as possible. The junta may pick a cabinet after consulting with the young officers who headed the uprising on April 25. General Spínola said yesterday that military officers will fill only the military posts, adding that only a cabinet made up of different sectors can guarantee free elections.

On the future of political parties, Spínola said that he opposed a proliferation of parties and favored a system made up of a few groups representing the most significant currents of opinion. [REDACTED]

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\*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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\*VENEZUELA: President Perez announced sweeping economic measures yesterday, including the surprise nationalization of the US-dominated iron ore industry.

Announcing action against the Orinoco Mining Company, a subsidiary of US Steel, and Iron Mines of Venezuela, a subsidiary of Bethlehem Steel, Perez said that although concessions to mine the iron ore had been granted to these companies until the year 2000, "we are taking them back now." Both companies do the bulk of Venezuela's iron ore mining and export two thirds of their production to the US.

Perez did not go into details about how the companies will be nationalized or what, if any, compensation will be paid. Since the President's left-of-center Democratic Action Party controls a majority of seats in the Congress, the nationalization is considered a virtual certainty.

The statist and antiforeign-capital tone of the President's nationalistic speech as well as the sweeping plans that he announced for restructuring the economy caught many by surprise. In office less than two months, and with a massive election mandate for moderation, Perez had not been under pressure from leftist or nationalistic groups to move against these companies and was expected to focus his remarks on "social justice issues."

Perez also announced measures to implement the foreign investment code of the Andean Pact, which is very restrictive of foreign investments. Perez said a broad range of industries dealing in domestic goods and services will be reserved to Venezuelans.

Foreign companies will have three years in which to sell a minimum of 80 percent of their shares to Venezuelan nationals. Among those companies affected by the decree are the chain stores operated by Sears and by the Rockefeller family. [REDACTED]

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ARGENTINA: Extremists may provoke disorders when antagonistic factions of the Peronist movement converge on May 1 to hear Peron speak from the presidential palace. A massive turnout of over 1 million people is expected to assemble in the center of the capital for what government organizers are billing as a huge "fiesta."

The labor day ritual, which has traditionally been observed with great fanfare by Peron's strongly organized labor following, will occur at a time when politically motivated violence has hit an all-time peak.

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Over the past week, leftists have been issuing loud warnings of a possible shoot-out similar to that which greeted Peron on his return last June, when large numbers of rival Peronists were killed and injured. Leftists have been under heavy fire by the Peron government and can be expected to use the rally for a show of strength. Recent arrests of leftists from nominally Peronist guerrilla organizations have been accompanied by charges of torture and have further aggravated tensions within the splintered Peronist movement.

Although the government is taking special security precautions and is rounding up possible provocateurs, weaknesses within the federal police establishment will curtail its effectiveness in containing possible disturbances. Peron and some of his top advisers have been meeting with youth leaders in the hope of heading off trouble, but a truce--if arranged--would be fragile at best. At the same time, the Marxist People's Revolutionary Army and other radical exponents of violence are committed to antigovernment action and are unlikely to be deterred by government appeals for calm.

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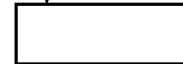
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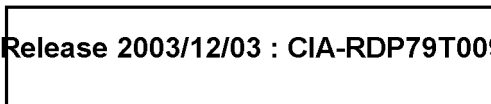
Sagging police morale, frequent command changes, and bureaucratic inertia have thus far impeded federal and provincial police from developing a successful counterinsurgency program. There is little to suggest that this effort is really off the ground yet, and results in any case are likely to be slow.



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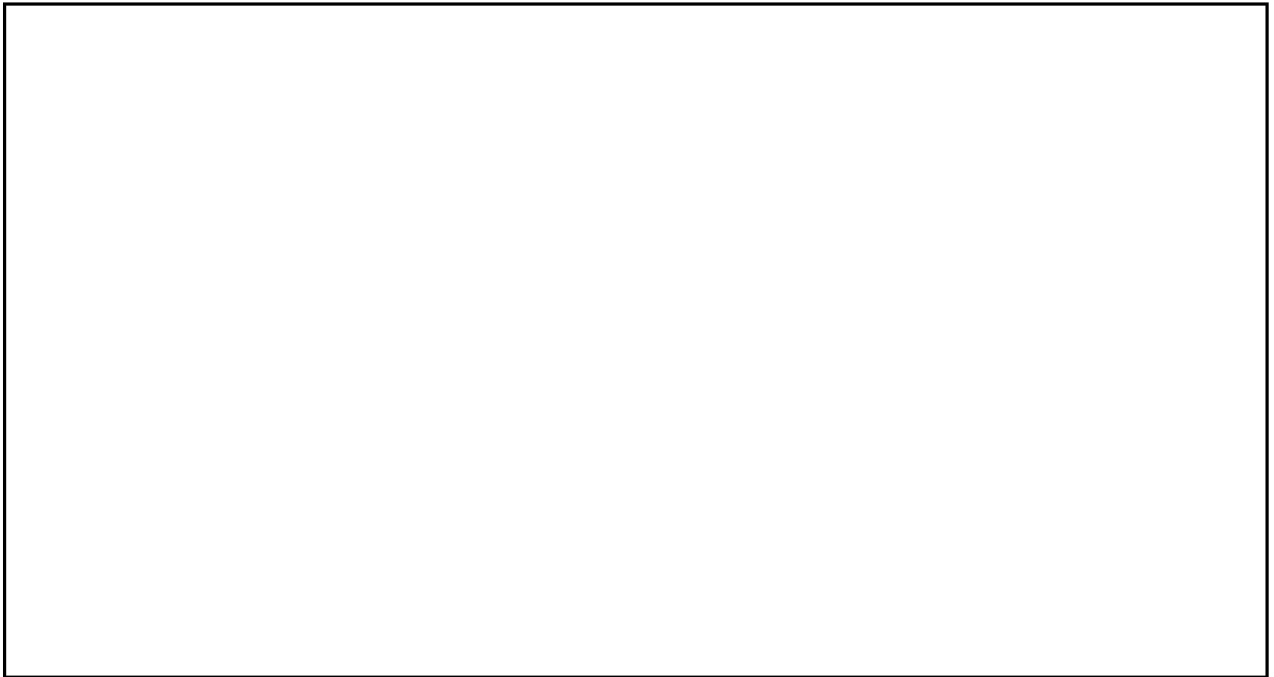


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CHINA: Peking's skimpy first-quarter economic reporting suggests a slow start for Chinese industry. No national output figures have been released, and only six of the country's 29 provincial-level administrative regions have cited gains over the first quarter of last year. On the whole, the provincial claims for percentage increases in industrial output tend to be fewer in number and lower than in earlier comparable periods of the Fourth Five-Year Plan (1971-1975).

Shortages of raw materials and capacity constraints in some industrial sectors undoubtedly are the basic problems. In addition, a somber new tone in recent official commentaries reflects anxiety over the potential for disruptions posed by widespread factional in-fighting associated with the anti-Lin, anti-Confucius campaign.



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NORTH VIETNAM: Hanoi has promoted General Van Tien Dung, the number-two man in the North Vietnamese military hierarchy and heir-apparent to General Giap, to the rank of full general.

Dung, the youngest member of the Politburo, reportedly was once praised by Ho Chi Minh for being more aggressive than Giap. Dung has been close to First Secretary Le Duan over the years. A number of authoritative articles by Dung that have appeared in North Vietnamese military journals in the past year suggest that he is an advocate of large-scale conventional warfare. He is also closely associated with the current effort to modernize the North Vietnamese armed forces.

Since Defense Minister Giap dropped from public view late last year, apparently because of a serious illness, General Dung has gradually moved into a more prominent position. Dung's promotion puts him on nearly equal footing with Giap, who until now had been the only full general in the North Vietnamese armed forces. The promotion confirms that Dung is being groomed to take over when Giap retires or dies.

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\*IRAN: Prime Minister Hoveyda appears to have emerged from the major cabinet shuffle last weekend with more power, but the Shah will still make important foreign and domestic policy decisions. Hoveyda reportedly has been given a freer hand to deal with the problems of economic development and social welfare.

The reorganization--the largest in more than ten years--will primarily affect domestic affairs. There is unlikely to be a shift in foreign or military policy. Both the ministers of war and foreign affairs retained their posts.

The new cabinet line-up is apparently intended in part to establish the government structure to carry out the Shah's grandiose welfare programs, which are designed to mollify Iranians dissatisfied with the rising cost of living. The Shah has already proclaimed free elementary education and free preventive medical care for all citizens,

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Several of the ministerial shifts appear to be the result of personal power struggles. Jamshid Amuzegar, for example, the former minister of finance and Iran's spokesman on oil matters, has been named minister of interior, apparently a demotion. Replacing him is Hushang Ansari, who has evidently overcome rumored differences with Hoveyda. Ansari, who has been minister of the economy, will add finance to his portfolio and, in effect, control the bulk of Iran's economic machinery.

A new ministry of energy will probably pick up Amuzegar's oil responsibilities, but it will be less powerful than its title suggests. The minister, Iraj Vahidi, lacks stature and may have to compete with officials of the National Iranian Oil Company and similar organizations.

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Most of the new ministers are personally beholden to Hoveyda. The Prime Minister has strengthened his position by basing his cabinet selections as much on loyalty as on ability. Among the new members, nine are foreign-educated--four in the US--and all have past government or private experience that relates to their new positions. The Prime Minister may find he has need of both their loyalty and their expertise in dealing with Iran's economic problems. Given this new mandate by the Shah, the Prime Minister will be under considerable pressure to make early progress.

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FOR THE RECORD

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North Vietnam: Shifts of civilian governmental officials continue as North Vietnam seeks to strengthen its management of economic affairs. Hanoi announced on April 27 that two ministers were being transferred to other jobs and that Vice Premier Hoang Anh had been relieved of his duties as head of the Central Agricultural Commission. There is no indication of specific assignments for any of the three, and in only one case was the new incumbent named. [REDACTED]

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### Caribbean Community Expands





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Caribbean: Caribbean Community (Caricom) membership will expand on May 1. The original signatories--Barbados, Guyana, Jamaica, and Trinidad and Tobago--will be joined by newly independent Grenada and the British dependencies of Belize, Dominica, Montserrat, St. Lucia, and St. Vincent. Haiti and Surinam have openly indicated an intention to become members, and the Netherlands Antilles has indirectly signaled its interest. Caricom, established by treaty in 1973, includes a modified common market, formerly called CARIFTA, coordination on international issues, and functional cooperation in regional transport and other services. [REDACTED]

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Chile: Santiago is going ahead with the return of the Arica automotive plant to General Motors, scheduled for May 1, in spite of Spain's displeasure. Madrid has canceled credits of \$45 million intended for the purchase of three naval vessels. Madrid retaliated because a Spanish truck producer--Pegaso Corporation--had received from the Allende administration the sole right to produce trucks in Chile.

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Dubai-Italy: Dubai, a member of the United Arab Emirates, has contracted to buy four Aermacchi MB 326 dual jet trainer/light attack aircraft from Italy. The purchase, Dubai's first of jet aircraft, [REDACTED]

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